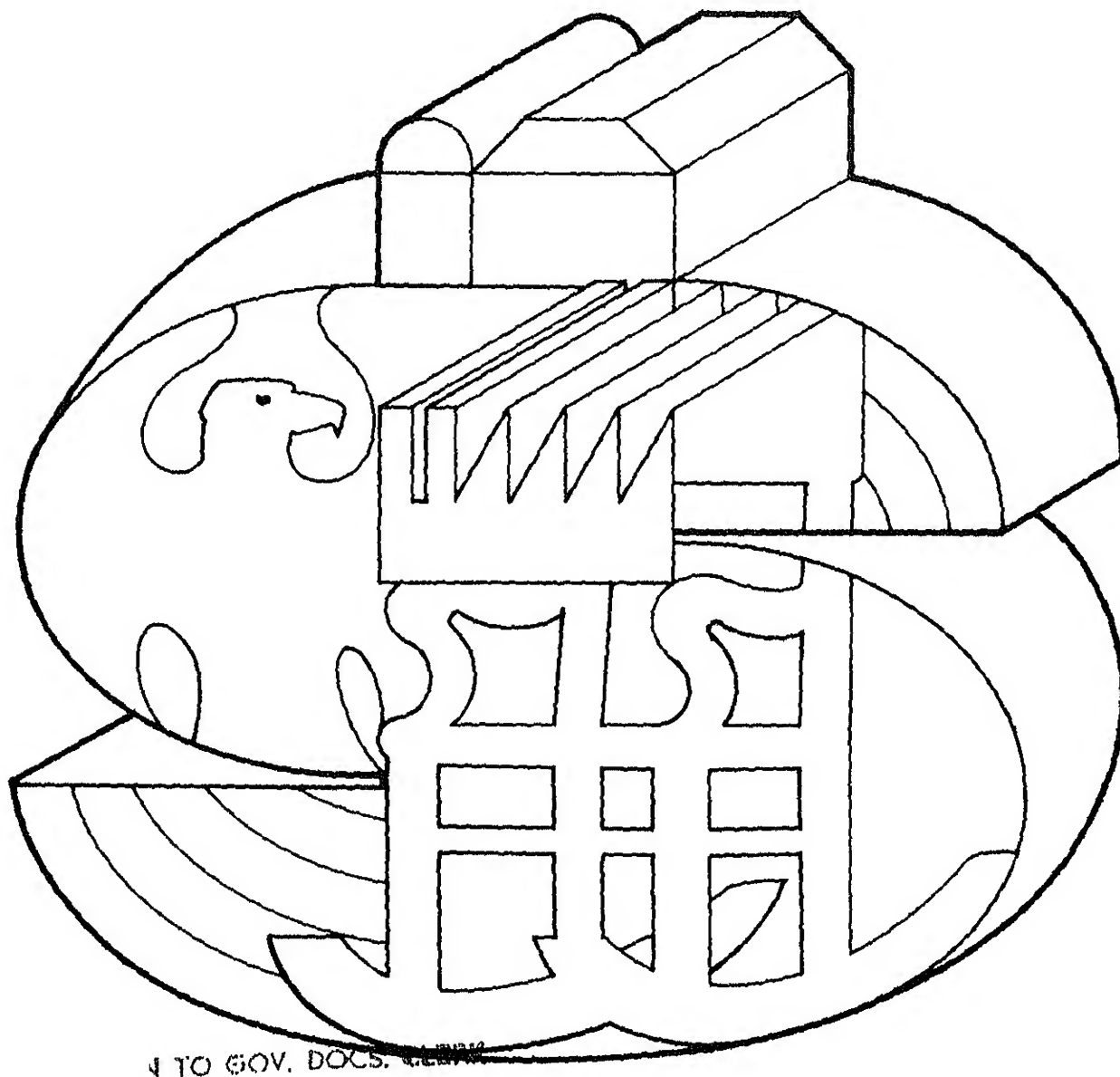


Income Growth in Nonmetro America, 1968-75

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ABSTRACT

Total personal income grew 25 percent faster in nonmetro counties than in metro counties between 1968 and 1975, narrowing the inflation-adjusted gap in income per person between metro and nonmetro areas by a tenth, to \$1,403. Nonmetro earnings increased by the largest percentage in mining, agriculture, transportation, communications, and public utilities. In addition, net transfer payments more than tripled. Growth in total personal income in nonmetro areas exceeded metro growth in all four U.S. regions (South, West, North Central, Northeast). Nonmetro growth was greatest in the West, although combined metro-nonmetro growth was greatest in the South.

Keywords: Income, transfer payments, property income, earnings, industry, growth regions, metro, nonmetro.

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HIGHLIGHTS

Rural development efforts have sought to arrest economic decline in rural areas and to reduce the disparity between rural and urban incomes. The data presented in this report demonstrate that between 1968 and 1975 some progress was made in achieving these goals. During that period total personal income in nonmetro counties increased 25 percent faster than that in metro counties and the nonmetro-metro gap in real per capita income narrowed.

The nonmetro income gains during 1968-75 resulted in large part from increases in transfer payments and from a strengthened demand and price situation for food and energy which boosted earnings in agriculture and mining.

Average per capita personal income, expressed in dollars of constant purchasing power, increased by \$920 in nonmetro counties during 1968-75, compared with a \$672 increase in metro areas. Consequently, the nonmetro-metro per capita income gap shrank from \$1,651 in 1968 to \$1,403 in 1975. Nonmetro income increased more in all regions except the South, where the increases were about equal. Among nonmetro counties, constant dollar gains in per capita income were greater in the more rural counties and in counties located far from metro areas.

Transfer payments and earnings in agriculture and mining were much more important contributors to income growth in nonmetro than in metro counties. Each of those three sources grew appreciably faster than any other income component during the 7-year period. Although earnings growth in manufacturing was weak nationally during 1968-75, the rate of gain in nonmetro counties was 35 percent higher than in metro counties, and manufacturing was the leading growth sector in about 15 percent of all nonmetro counties.

Nonmetro growth in property income (dividends, interest, rentals, and royalties), transfer payments, and earnings in industries (such as agriculture, mining, and manufacturing) that sell most of their products outside the local area seems to have stimulated total economic activity more in counties far removed from big cities than in close-in counties. Apparently, in the counties isolated from urban influence, income is largely spent within the area, inducing further growth locally in trade and services. By contrast, nonmetro residents near large cities tend to spend most of their income in the nearby metro area.

Major sources of nonmetro income growth differed from one part of the country to another. Manufacturing and transfer payments accounted for more of the 1968-75 increase in total personal income than any other activity in many counties in the East. Agriculture provided much of the growth in the middle part of the country and in most of the West. Mining was the leading growth sector in Appalachia and scattered locations elsewhere.

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INTRODUCTION

Rural development efforts have sought to reduce the disparity between rural and urban incomes. The data presented here show that, within the past decade, significant progress has been made in achieving that goal.

Population, employment and income increased faster in nonmetro than in metro counties during this period. This new trend has been well documented in a number of recent studies (see Bibliography). Few studies, however, have focused on the sources of the faster nonmetro growth or on the effect that faster nonmetro growth is having on the gap in per capita income between metro and nonmetro areas. This study attempts to close these information gaps by quantifying changes during the 1968-75 period in the major components of total personal income (such as net transfer payments, property income, and earnings by industry) and in total personal income per capita. Comparisons are made among metro and nonmetro counties, among different regions, and among nonmetro counties grouped according to metro influence.

DATA

Total personal income and its components used in this study were compiled from unpublished county estimates developed by the Bureau of Economic Analysis (BEA), U.S. Department of Commerce. These data are released first as computer tapes with a time lag, in some cases, of several years before the data can be processed and published. BEA defines total personal income as the current income of residents of an area from all sources. ^{1/} Total personal income includes three major kinds of income: earnings, property income, and net transfer payments. Earnings include income received by workers, such as wages and salaries and fringe benefits, and the net income of owners of unincorporated businesses, including the income of independent professionals. Property income includes dividends, interest, rental, and royalty income. Transfer payments (individuals' income from government and business for which no services are rendered currently) include unemployment compensation, Social Security payments, State and local retirement benefits, veterans' benefits, and welfare payments and benefits. Net transfer payments are total transfer payments less personal contributions for social insurance. Total personal income represents income after deduction of contributions for such things as Social Security and government retirement, but before deduction of income and other personal taxes.

Most income of workers and proprietors is reported at the point where it is disbursed (where the business establishment is located). BEA develops earnings estimates, from these and related data, on a place-of-work basis in considerable detail by industry. In constructing estimates of total personal income, the place-of-

^{1/} U.S. Department of Commerce, Bureau of Economic Analysis. Local Area Personal Income, 1970-75, Regional Reports, Aug. 1977.

work earnings estimates are converted to place-of-residence estimates for all industries as a group, based primarily on commuting and income data from the 1960 and 1970 Censuses of Population and on county wages reported by the Internal Revenue Service.

Place-of-residence and place-of-work estimates are essentially the same in a large region because almost all workers and proprietors live and work in the same area. However, there are some differences (shown in appendix table 1) between earnings on a place-of-work basis and earnings on a place-of-residence basis for metro counties and for some of the different types of nonmetro counties. Metro counties and urbanized nonadjacent nonmetro counties have a larger share of the Nation's place-of-work earnings than place-of-residence earnings, which indicates that these counties are employment centers for nonmetro commuters. The other nonmetro counties have proportionally more place-of-residence than place-of-work income.

Earnings are treated in this analysis as if they were reported on a place-of-residence basis. This method of handling the data provides a basis for breaking down total personal income into earnings by industry, property income, and net transfer payments. Total personal income, reported by BEA on a place-of-residence basis, is used in computing per capita income.

Differences in aggregate and per capita personal income growth were analyzed for counties classified by metro status and region, and for nonmetro counties by urban orientation as measured by the number of urban residents and proximity to a metro area. The counties and equivalent areas used in this analysis were those classified in 1973 as either metro or nonmetro by the Office of Management and Budget (OMB). ^{2/} Nonmetro counties are divided into the following groups: (1) urbanized, if they have at least 20,000 urban residents, (2) less urbanized; if they have 2,500 to 19,000 urban residents, or (3) totally rural, if they have fewer than 2,500 urban residents. Each nonmetro category is further divided into counties adjacent and not adjacent to an SMSA. Counties designated as adjacent to an SMSA share a common border with the SMSA. In a few cases in the West, large counties bordering an SMSA were classified as nonadjacent if less than 1 percent of the population of the county commuted to the SMSA for jobs.

The 7-year period that began in 1968 and ended in 1975 (the latest year for which data were available) was selected for study to identify more clearly the sources of the recent upturn in nonmetro growth. Total personal income increased faster in nonmetro than in metro counties in every year of this period except 1974. The period encompasses the business cycle which ran from the trough in economic activity in November 1970 to the following trough in March 1975.

NATIONAL GROWTH

The five largest income components in 1975, accounting for 72.4 percent of total personal income, were manufacturing, property income, government, trade, and services (table 1). The Nation's total personal income increased \$569 billion or 82.5 percent during the 1968-75 period, but after adjustment for rising prices, the gain in real terms was only 22.1 percent, or 3.2 percent per year. While income in current

^{2/} A county is designated as metropolitan if it is part of a Standard Metropolitan Statistical Area (SMSA). Other counties are designated as nonmetropolitan. SMSA's are made up of counties with cities of at least 50,000 inhabitants or twin cities with a combined population of 50,000. In addition, counties contiguous to these core SMSA counties also are designated as SMSA counties if according to certain criteria they are socially and economically integrated with the central city of the core SMSA.

Table 1--Components of change in total personal income, metro and nonmetro counties, 1968-75

County status and income component	1975 <u>1/</u>		Absolute increase during 1968-75 <u>1/</u>		Growth rate 1968-75 <u>1/</u>
	Total	Percentage of total personal income	Total	Percentage of increase in total personal income	
	Million dollars	Percent	Million dollars	-----Percent-----	
All counties	1,257,535	100.0	568,557	100.0	82.5
Property income	182,653	14.5	84,993	14.9	87.0
Net transfer payments	123,864	9.8	87,029	15.3	236.3
Earnings	951,018	75.6	396,535	69.7	71.5
Manufacturing	243,271	19.3	81,618	14.4	50.5
Government	173,324	13.8	80,137	14.1	86.0
Trade	159,347	12.7	67,281	11.8	73.1
Services	152,136	12.1	70,415	12.4	86.2
Transportation, communications, and public utilities	68,294	5.4	30,165	5.3	79.1
Contract construction	53,835	4.3	20,561	3.6	61.8
Finance, insurance, and real estate	50,372	4.0	20,711	3.6	69.8
Agriculture, forestry, and fisheries	37,061	2.9	17,884	3.1	93.3
Mining	13,377	1.1	7,762	1.4	138.2
Metro	979,267	100.0	430,838	100.0	78.6
Property income	141,723	14.5	63,968	14.8	82.3
Net transfer payments	87,517	8.9	62,445	14.5	249.1
Earnings	750,027	76.6	304,424	70.7	68.3
Manufacturing	194,712	19.9	62,057	14.4	46.8
Government	135,261	13.8	62,294	14.5	85.4
Trade	130,152	13.3	53,986	12.5	70.9
Services	129,390	13.2	59,911	13.9	86.2
Transportation, communications, and public utilities	56,765	5.8	24,685	5.7	77.0
Contract construction	42,334	4.3	15,153	3.5	55.7
Finance, insurance, and real estate	44,789	4.6	18,125	4.2	68.0
Agriculture, forestry, and fisheries	10,798	1.1	5,050	1.2	87.9
Mining	5,826	.6	3,163	.7	118.8
Nonmetro	278,268	100.0	137,719	100.0	98.0
Property income	40,930	14.7	21,025	15.3	105.6
Net transfer payments	36,347	13.1	24,584	17.9	209.0
Earnings	200,991	72.2	92,110	66.9	84.6
Manufacturing	48,559	17.4	19,561	14.2	67.5
Government	38,063	13.7	17,843	13.0	88.2
Trade	29,195	10.5	13,295	9.7	83.6
Services	22,747	8.2	10,505	7.6	85.8
Transportation, communications, and public utilities	11,529	4.1	5,479	4.0	90.6
Contract construction	11,501	4.1	5,408	3.9	88.8
Finance, insurance, and real estate	5,583	2.0	2,586	1.9	86.3
Agriculture, forestry, and fisheries	26,263	9.4	12,834	9.3	95.6
Mining	7,551	2.7	4,599	3.3	155.8

1/ Detail may not add exactly to totals due to rounding.

Source: Compiled from unpublished data from the Bureau of Economic Analysis, U.S. Department of Commerce.

dollars advanced each year, essentially all the increase in real terms occurred during the first 5 years of the 7-year period.

The three most rapidly growing components of total personal income during 1968-75 were net transfer payments, mining, and agriculture, forestry, and fisheries (fig. 1). However, rapidly growing sectors do not necessarily contribute the most to growth in total personal income. This contribution is a function of sector size as well as of sector growth. For instance, the large manufacturing sector, which experienced only sluggish growth during the 1968-75 period, still accounted for 14.4 percent of the gain in total personal income. On the other hand, net transfer payments, a relatively small income component, accounted for 15.3 percent of the income increase, more than any other component, because of its rapid expansion.

Personal income during 1968-75 increased by \$138 billion in nonmetro counties and by \$431 billion in metro counties. But the nonmetro growth rate was 25 percent greater than that of metro counties, a change from the slower nonmetro growth which characterized most of the post World War II period. Furthermore, the nonmetro income growth was broadly based during the 7-year period. Each major component of personal income, except net transfer payments and services, rose more rapidly in nonmetro than in metro counties and each component in nonmetro counties, except income from manufacturing, increased at a faster rate than total U.S. personal income. The overall rate of nonmetro income growth benefited considerably from a sharp rise in energy prices and from a stronger demand for food and lumber which increased earnings in mining and agriculture, forestry, and fisheries. Also, net transfer payments more than tripled. These three income components accounted for 30.5 percent of the growth in total personal income in nonmetro counties during 1968-75, compared with 16.4 percent of metro counties' growth (table 1).

REGIONAL GROWTH

The South led the Nation in personal income growth, with an increase of 101.1 percent, followed by the West, the North Central, and the Northeast regions during the 1968-75 period (fig. 2). Reflecting the variation in regional growth rates, the South's share of the Nation's total personal income rose from 26 percent in 1968 to 28.6 percent in 1975 while the Northeast's share dropped from 27.2 percent to 24.8.

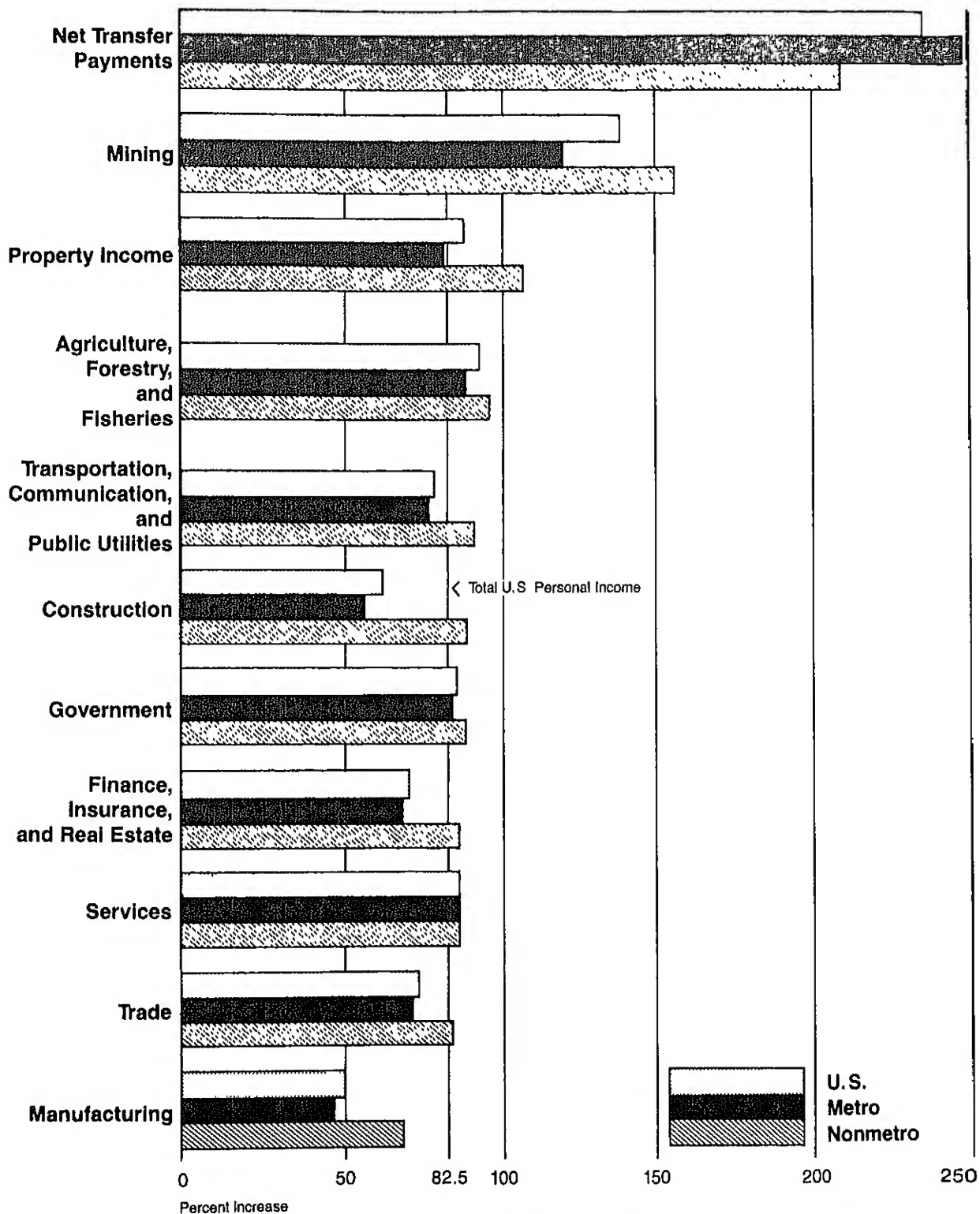
Growth in total personal income was much faster in nonmetro than in metro counties in all regions except the South where the nonmetro counties had only a slight growth advantage (table 2). Nonmetro counties increased their share of national personal income from 20.4 percent in 1968 to 22.1 percent in 1975. Essentially all of the shift in income occurred outside the Northeast. Total personal income grew more slowly than the U.S. average only in populous metro counties of the Northeast and North Central regions. These counties accounted for 42.4 percent of the Nation's personal income in 1975 compared with 46.2 percent in 1968.

South

The relatively large increase in personal income growth in the South reflected the region's strength in most sectors of its economy. Each major component or source of personal income except manufacturing and agriculture, forestry, and fisheries increased faster in the South (in both metro and nonmetro counties) than the national average of 82.5 percent during the 1968-75 period (tables 3 and 4). The most rapidly growing income components in the South, in percentage terms, were net transfer payments, mining, and property income. Four components--property income, government, net transfer payments, and manufacturing--accounted for 57.5 percent of the total gain in personal income. Transfer payments were much more important in nonmetro

Figure 1

Growth in Components of Total Personal Income, 1968-75



than in metro counties, accounting for 19.4 percent of the total increase in total personal income in nonmetro counties compared with 12.4 percent in metro counties. Manufacturing also contributed more to income growth in the nonmetro than in the metro South.

West

Four income components--government, property income, net transfer payments, and services--accounted for 58.5 percent of total income growth in the West. Growth in total personal income was stronger and much more widely distributed among sectors in nonmetro counties of the West than in metro counties. Personal income increased 115.4 percent in nonmetro counties during 1968-75, compared with 85.8 percent in metro counties. Every income component grew faster in the nonmetro counties than U.S. total personal income. Net transfer payments and contract construction made especially large percentage gains. By contrast, the metro rate of growth exceeded that for U.S. total personal income for only 6 of the 11 income components. Growth in the metro counties was strongest in net transfer payments and weakest in manufacturing and contract construction.

North Central

Total personal income in the North Central region (and in the Northeast) outpaced the U.S. growth rate in nonmetro counties but lagged behind it in metro counties. Income increased 92.1 percent in nonmetro counties compared with 70.5 percent in metro counties. Income in nonmetro counties rose at a more rapid rate than total U.S. income in 6 of the 11 sectors. Net transfer payments, mining, and

Figure 2

Growth in Total Personal Income — Metro and Nonmetro Counties by Region

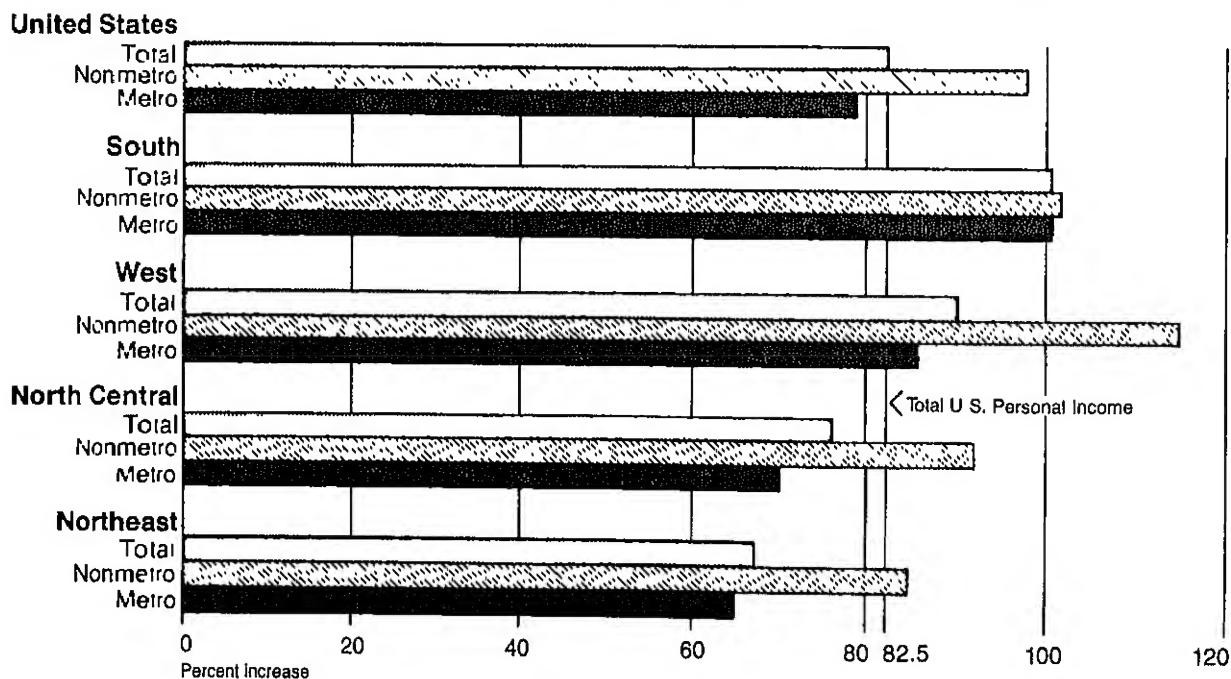


Table 2--Change in total personal income, by region and metro and nonmetro counties, 1968-75 1/

County status and region	1968 1/			1975 1/			Absolute increase during 1967-75 1/			Growth rate 1968-75 1/
	Total	Percentage of total U.S. personal income	Percentage of total U.S. personal income	Total	Percentage of total U.S. personal income	Percentage of total U.S. personal income	Total	Percentage of total U.S. personal income	Percentage of total U.S. personal income	
	Million dollars	Percent	Percent	Million dollars	Percent	Percent	Million dollars	Percent	Percent	
United States	688,978	100.0	100.0	1,257,535	100.0	100.0	568,557	100.0	82.5	
South	179,137	26.0	26.0	360,277	28.6	28.6	181,140	31.9	101.1	
West	124,506	18.1	18.1	237,084	18.9	18.9	112,578	19.8	90.4	
North Central	197,818	28.7	28.7	347,750	27.7	27.7	149,932	26.4	75.8	
Northeast	187,517	27.2	27.2	312,424	24.8	24.8	124,907	22.0	66.6	
Metro	548,429	79.5	79.5	979,267	77.9	77.9	430,838	75.8	78.6	
South	124,776	18.1	18.1	250,626	19.9	19.9	125,850	22.1	100.9	
West	105,041	15.2	15.2	195,166	15.5	15.5	90,125	15.9	85.9	
North Central	149,496	21.7	21.7	254,920	20.3	20.3	105,424	18.5	70.5	
Northeast	169,117	24.5	24.5	278,556	22.2	22.2	109,439	19.2	64.7	
Nonmetro	140,549	20.4	20.4	278,268	22.1	22.1	137,719	24.2	98.0	
South	54,361	7.9	7.9	109,651	8.7	8.7	55,290	9.7	101.7	
West	19,465	2.8	2.8	41,919	3.3	3.3	22,454	3.9	115.4	
North Central	48,322	7.0	7.0	92,830	7.4	7.4	44,508	7.8	92.1	
Northeast	18,400	2.7	2.7	33,868	2.7	2.7	15,468	2.7	84.1	

1/ Detail may not add exactly to totals due to rounding.

Source: Compiled from unpublished data from the Bureau of Economic Analysis, U.S. Department of Commerce.

Table 3--Components of change in total personal income in nonmetro counties, by region, 1968-75

Region and income component	1975 <u>1/</u>		Absolute increase during 1968-75 <u>1/</u>		Growth rate 1968-75 <u>1/</u>
	Total	Percentage of total personal income	Total	Percentage of increase in total personal income	
	Mil. dol.	Pct.	Mil. dol.	Pct.	
South	109,651	100.0	55,290	100.0	101.7
Property income	15,055	13.7	8,140	14.7	117.7
Net transfer payments	15,464	14.1	10,699	19.4	224.5
Earnings	79,132	72.2	36,450	65.9	85.4
Manufacturing	20,843	19.0	8,825	16.0	73.4
Government	14,759	13.5	6,836	12.4	86.3
Trade	11,153	10.2	5,288	9.6	90.2
Services	8,685	7.9	4,029	7.3	86.5
Transportation, communications, and public utilities	4,261	3.9	2,075	3.8	94.9
Contract construction	4,361	4.0	2,113	3.8	94.0
Finance, insurance, and real estate	2,256	2.1	1,137	2.1	101.6
Agriculture, forestry, and fisheries	8,662	7.9	3,547	6.4	69.3
Mining	4,152	3.8	2,600	4.7	167.5
West	41,919	100.0	22,454	100.0	115.4
Property income	5,813	13.9	3,161	14.1	119.2
Net transfer payments	4,630	11.0	3,127	13.9	208.1
Earnings	31,476	75.1	16,167	72.0	105.6
Manufacturing	4,231	10.1	1,997	8.9	89.4
Government	7,508	17.9	3,696	16.5	97.0
Trade	4,462	10.6	2,219	9.9	98.9
Services	3,714	8.9	1,834	8.2	97.6
Transportation, communications, and public utilities	2,107	5.0	1,081	4.8	105.4
Contract construction	2,762	6.6	1,798	8.0	186.6
Finance, insurance, and real estate	823	2.0	388	1.7	89.2
Agriculture, forestry, and fisheries	4,401	10.5	2,293	10.2	108.8
Mining	1,468	3.5	861	3.8	141.8
North Central	92,830	100.0	44,508	100.0	92.1
Property income	14,787	15.9	7,204	16.2	95.0
Net transfer payments	10,937	11.8	7,051	15.8	181.4
Earnings	67,108	72.3	30,254	68.0	82.1
Manufacturing	16,704	18.0	6,613	14.9	65.5
Government	10,880	11.7	5,022	11.3	85.7
Trade	10,109	10.9	4,331	9.7	75.0
Services	6,899	7.4	3,090	6.9	81.1
Transportation, communications, and public utilities	3,762	4.1	1,710	3.8	83.3
Contract construction	3,232	3.5	1,188	2.7	58.1
Finance, insurance, and real estate	1,766	1.9	750	1.7	73.8
Agriculture, forestry, and fisheries	12,397	13.4	6,784	15.2	120.9
Mining	1,359	1.5	766	1.7	129.2
Northeast	33,868	100.0	15,468	100.0	84.1
Property income	5,274	15.6	2,519	16.3	91.4
Net transfer payments	5,315	15.7	3,706	24.0	230.3
Earnings	23,279	68.7	9,242	59.7	65.8
Manufacturing	6,781	20.0	2,125	13.7	45.6
Government	4,916	14.5	2,288	14.8	87.1
Trade	3,472	10.3	1,458	9.4	72.4
Services	3,449	10.2	1,552	10.0	81.8
Transportation, communications, and public utilities	1,400	4.1	613	4.0	77.9
Contract construction	1,146	3.4	309	2.0	36.9
Finance, insurance, and real estate	739	2.2	312	2.0	73.1
Agriculture, forestry, and fisheries	803	2.4	211	1.4	35.6
Mining	573	1.7	374	2.4	188.0

1/ Detail may not add exactly to totals due to rounding.

Source: Compiled from unpublished data from the Bureau of Economic Analysis, U.S. Department of Commerce.

Table 4--Components of change in total personal income in metro counties, by region, 1968-75

Region and income component	1975 <u>1/</u>		Absolute increase during 1968-75 <u>1/</u>		Growth rate 1968-75 <u>1/</u>
	Total	Percentage of total personal income	Total	Percentage of increase in total personal income	
	Mil. dol.	Pct.	Mil. dol.	-----Pct.-----	
South	250,626	100.0	125,850	100.0	100.9
Property income	35,670	14.2	18,792	14.9	111.3
Net transfer payments	21,240	8.5	15,591	12.4	276.0
Earnings	193,717	77.3	91,468	72.7	89.5
Manufacturing	36,993	14.8	15,052	12.0	68.6
Government	43,274	17.3	20,161	16.0	87.2
Trade	35,221	14.1	17,239	13.7	95.9
Services	32,510	13.0	16,616	13.2	104.5
Transportation, communications, and public utilities	15,342	6.1	7,677	6.1	100.2
Contract construction	13,294	5.3	6,428	5.1	93.6
Finance, insurance, and real estate	11,140	4.4	5,372	4.3	93.1
Agriculture, forestry, and fisheries	2,650	1.1	1,074	.9	68.1
Mining	3,293	1.3	1,849	1.5	128.0
West	195,166	100.0	90,125	100.0	85.8
Property income	28,238	14.5	13,880	15.4	96.7
Net transfer payments	18,071	9.3	12,558	13.9	227.8
Earnings	148,857	76.3	63,688	70.7	74.8
Government	31,732	16.3	14,143	15.7	80.4
Manufacturing	29,847	15.3	9,856	10.9	49.3
Services	27,793	14.2	13,454	14.9	93.8
Trade	26,247	13.4	11,567	12.8	78.8
Transportation, communications, and public utilities	11,114	5.7	5,034	5.6	82.8
Contract construction	8,593	4.4	3,543	3.9	70.2
Finance, insurance, and real estate	8,410	4.3	3,423	3.8	68.6
Agriculture, forestry, and fisheries	4,027	2.1	2,086	2.3	107.5
Mining	1,094	.6	582	.6	113.7
North Central	254,920	100.0	105,424	100.0	70.5
Property income	34,519	13.5	14,391	13.7	71.5
Net transfer payments	19,248	7.6	14,077	13.4	272.2
Earnings	201,153	78.9	76,956	73.0	62.0
Manufacturing	69,934	27.4	22,324	21.2	46.9
Trade	34,227	13.4	13,183	12.5	62.6
Services	30,142	11.8	13,688	13.0	83.3
Government	27,675	10.9	13,121	12.4	90.2
Transportation, communications, and public utilities	14,625	5.7	5,978	5.7	69.1
Contract construction	10,727	4.2	2,868	2.7	36.5
Finance, insurance, and real estate	10,268	4.0	3,975	3.8	63.2
Agriculture, forestry, and fisheries	2,792	1.1	1,459	1.4	109.5
Mining	763	.3	360	.3	89.3
Northeast	278,556	100.0	109,439	100.0	64.7
Property income	43,297	15.5	16,905	15.4	64.0
Net transfer payments	28,958	10.4	20,218	18.5	231.3
Earnings	206,301	74.1	72,315	66.1	54.0
Manufacturing	57,938	20.8	14,825	13.5	34.4
Government	32,580	11.7	14,870	13.6	84.0
Trade	34,456	12.4	11,994	11.0	53.4
Services	38,945	14.0	16,154	14.8	70.9
Transportation, communications, and public utilities	15,685	5.6	5,999	5.5	61.9
Contract construction	9,721	3.5	2,315	2.1	31.3
Finance, insurance, and real estate	14,971	5.4	5,355	4.9	55.7
Agriculture, forestry, and fisheries	1,329	.5	431	.4	48.0
Mining	676	.2	3,720	.3	122.4

1/ Detail may not add exactly to totals due to rounding.

Source: Compiled from unpublished data from the Bureau of Economic Analysis, U.S. Department of Commerce.

agriculture, forestry, and fisheries grew the most. Income growth in the nonmetro counties was particularly weak in manufacturing and contract construction.

Net transfer payments and earnings in agriculture, forestry, and fisheries grew appreciably faster in the region's metro counties than the U.S. average, but growth was sluggish in contract construction and manufacturing. The metro portion of this region (and the Northeast) more than of other regions was penalized during the 7-year period by the weakness in its large manufacturing sector.

Northeast

The Northeast experienced the slowest growth in total personal income between 1968 and 1975. Income in metro counties rose 64.7 percent, almost 18 percentage points less than the national average. Income in only three sectors--net transfer payments, government, and mining--increased faster in the region's metro counties than the Nation's total income. Nonmetro income growth, however, slightly exceeded the national rate. Strength in net transfer payments, mining, and property income helped to offset pronounced weakness in contract construction, manufacturing, and agriculture, forestry, and fisheries. Net transfer payments and property income in nonmetro counties provided 40.3 percent of the increase in total personal income, compared with 33.9 percent in metro counties. Both of those percentages were higher than the percentages from those sectors in other regions.

GROWTH AMONG NONMETRO COUNTIES

Nonmetro counties vary widely in their number of urban residents and in their proximity to metro areas. Some have sizable urban populations, while others have no urban residents at all. Economic activity in some is strongly tied to the economic activity of an adjoining metro area; others, located far from metro areas, are not importantly influenced by any large city.

Total personal income grew more rapidly in the more rural-oriented than in the more urban-oriented counties during the 1968-75 period. Growth was faster in counties with few urban residents and in counties less closely linked to metro areas (see fig. 3 and table 5). Adjacent and nonadjacent nonmetro counties differed significantly in the distribution of growth across income components. Property income, net transfer payments, manufacturing, and government were relatively more important sources of income growth in the adjacent counties. Conversely, earnings in mining, services, trade, agriculture, forestry, and fisheries, and transportation, communications, and public utilities were the important income components in nonadjacent counties.

These contrasting growth patterns suggest that expansion in unearned income and in earnings of export industries, such as the primary industries and manufacturing, which sell most of their production outside the local area, had a greater impact on overall economic activity in the nonadjacent counties than in those closely linked to metro areas. Apparently, local income derived from these activities in the more isolated counties is largely spent within the area, stimulating further growth locally in trade and services. By contrast, much of the unearned income and income generated by export industries in nonmetro counties located near large cities is spent in the metro areas.

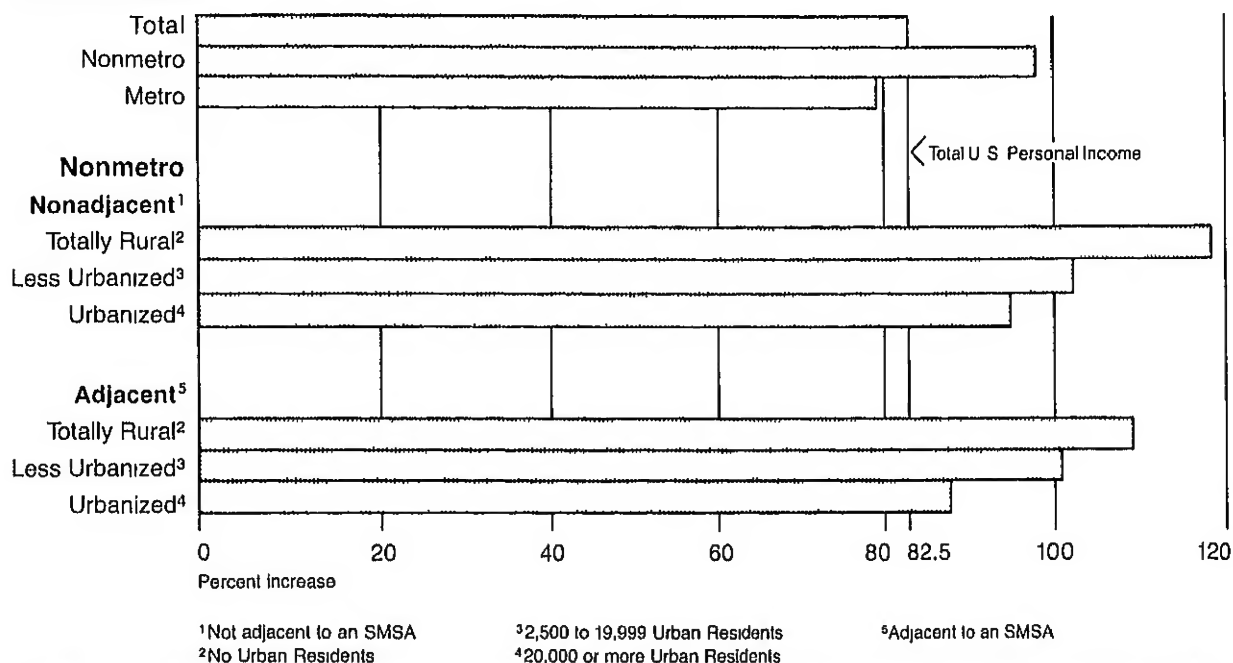
Geography of Leading Components of Income Growth

Figure 4 shows which activity in each county produced the largest absolute increase in total personal income during the 1968-75 period. Figure 4 and table 6

Figure 3

Growth in Total Personal Income by Type of Nonmetro County

United States



show that the major source of income growth was not the same for all nonmetro counties. Net transfer payments, leading the growth in a third of all nonmetro counties, was followed by: agriculture, forestry, and fisheries, the leader in 21.7 percent of the counties; manufacturing, in 15.7 percent; and mining, in 5.2 percent. All these income components, except manufacturing, accounted for a larger proportion of total personal income in nonmetro than in metro counties, and each component expanded rapidly during the 1968-75 period.

The national figures, however, mask considerable regional variation. The net transfer payments component was a far more important source of growth in the Northeast and the South than in other regions, for example. The agriculture, forestry, and fisheries component was most important in the North Central region and of relatively little importance in the Northeast. Manufacturing was the leading growth component in many nonmetro counties in the South, North Central, and Northeast regions, but in only a few nonmetro counties in the West. Mining, which includes the extraction of coal, petroleum, gas, metals, and other minerals, was more important in the West and South than in the Northeast and North Central regions.

Per Capita Income

Personal income per capita in the United States averaged \$5,903 in 1975, or \$2,446 more than in 1968 (table 7), an increase of 70.8 percent. However, most of the gain in per capita income was due to inflation rather than to an increase in real purchasing power. When the income data are adjusted to allow for the 49.4-percent rise in prices during 1968-75, the increase in U.S. total personal income per capita is

Table 5--Components of change in total personal income, by type of nonmetro county, 1968-75

County status and income component	1975 <u>1/</u>		Absolute increase during 1968-75 <u>1/</u>		Growth rate 1968-75 <u>1/</u>
	Total	Percentage of total personal income	Total	Percentage of increase in total personal income	
	<u>Mil. dol.</u>	<u>Pct.</u>	<u>Mil. dol.</u>	<u>Pct.</u>	
Urbanized adjacent	75,496	100.0	35,315	100.0	87.9
Property income	11,065	14.7	5,450	15.4	97.1
Net transfer payments	9,167	12.1	6,461	18.3	238.8
Earnings	55,264	73.2	23,405	66.3	73.5
Manufacturing	16,663	22.1	6,124	17.3	58.1
Government	11,636	15.4	5,204	14.7	80.9
Trade	7,869	10.4	3,512	9.9	80.6
Services	6,728	8.9	3,070	8.7	83.9
Transportation, communications and public utilities	3,015	4.0	1,358	3.8	82.0
Contract construction	2,899	3.8	1,089	3.1	60.2
Finance, insurance, and real estate	1,628	2.2	702	2.0	75.8
Agriculture, forestry, and fisheries	3,730	4.9	1,731	4.9	86.6
Mining	1,096	1.5	615	1.7	127.9
Urbanized nonadjacent	43,453	100.0	21,182	100.0	95.1
Property income	5,588	12.9	2,823	13.3	102.1
Net transfer payments	4,271	9.8	2,917	13.8	215.4
Earnings	33,596	77.3	15,444	72.9	85.1
Manufacturing	7,448	17.1	2,962	14.0	66.0
Government	7,579	17.4	3,473	16.4	84.6
Trade	5,258	12.1	2,470	11.7	88.6
Services	4,306	9.9	2,067	9.8	92.3
Transportation, communications and public utilities	2,410	5.5	1,195	5.6	98.4
Contract construction	2,224	5.1	1,161	5.5	109.2
Finance, insurance, and real estate	1,059	2.4	445	2.1	72.5
Agriculture, forestry, and fisheries	2,336	5.4	1,131	5.3	93.9
Mining	976	2.2	540	2.5	123.9
Less urbanized adjacent	62,515	100.0	31,396	100.0	100.9
Property income	9,681	15.5	5,014	16.0	107.4
Net transfer payments	9,004	14.4	6,055	19.3	205.3
Earnings	43,829	70.1	20,324	64.7	86.5
Manufacturing	11,454	18.3	4,788	15.3	71.8
Government	7,422	11.9	3,687	11.7	98.7
Trade	6,201	9.9	2,753	8.8	79.8
Services	4,577	7.3	2,058	6.6	81.7
Transportation, communications and public utilities	2,250	3.6	1,061	3.4	89.2
Contract construction	2,265	3.6	1,056	3.4	87.3
Finance, insurance, and real estate	1,132	1.8	551	1.8	94.8
Agriculture, forestry, and fisheries	6,905	11.0	3,416	10.9	97.9
Mining	1,623	2.6	954	3.0	142.6

See footnote at end of table.

continued

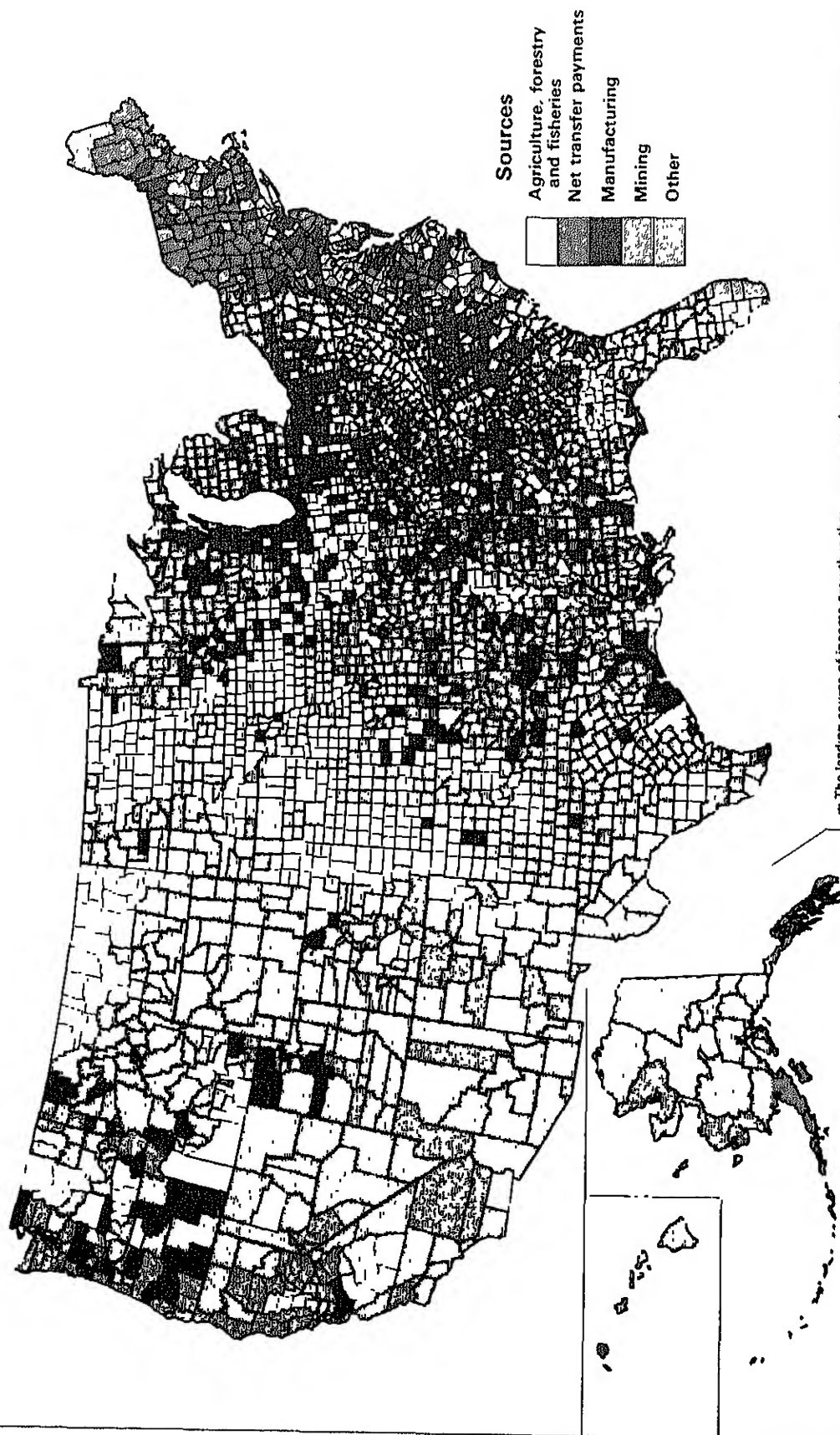
Table 5--Components of change in total personal income, by type of nonmetro county, 1968-75--Con.

County status and income component	1975 <u>1/</u>		Absolute increase during 1968-75 <u>1/</u>		Growth rate 1968-75 <u>1/</u>
	Total	Percentage of total personal income	Total	Percentage of increase in total personal income	
	<u>Mil. dol.</u>	<u>Pct.</u>	<u>Mil. dol.</u>	<u>-----Pct.-----</u>	
Less urbanized nonadjacent	67,157	100.0	33,982	100.0	102.4
Property income	9,917	14.8	5,192	15.3	109.9
Net transfer payments	9,095	13.5	6,005	17.7	194.3
Earnings	48,145	71.7	22,784	67.0	89.8
Manufacturing	10,210	15.2	4,409	13.0	76.0
Government	7,870	11.7	3,762	11.1	91.6
Trade	7,339	10.9	3,372	9.9	85.0
Services	5,196	7.7	2,407	7.1	86.3
Transportation, communications, and public utilities	2,892	4.3	1,370	4.0	90.0
Contract construction	2,577	3.8	1,145	3.4	80.0
Finance, insurance, and real estate	1,298	1.9	629	1.9	94.0
Agriculture, forestry, and fisheries	8,102	12.1	4,026	11.8	98.8
Mining	2,661	4.0	1,664	4.9	166.9
Totally rural adjacent	9,538	100.0	4,971	100.0	108.8
Property income	1,493	15.7	813	16.4	119.6
Net transfer payments	1,656	17.4	1,094	22.0	194.7
Earnings	6,388	67.0	3,066	61.7	92.3
Manufacturing	1,157	12.1	534	10.7	85.7
Government	1,173	12.3	580	11.7	97.8
Trade	781	8.2	360	7.2	85.5
Services	686	7.2	280	5.6	69.0
Transportation, communications, and public utilities	307	3.2	155	3.1	102.0
Contract construction	403	4.2	209	4.2	107.7
Finance, insurance, and real estate	146	1.5	82	1.6	128.1
Agriculture, forestry, and fisheries	1,358	14.2	605	12.2	80.3
Mining	377	4.0	261	5.3	225.0
Totally rural nonadjacent	20,110	100.0	10,874	100.0	117.7
Property income	3,186	15.8	1,734	15.9	119.4
Net transfer payments	3,153	15.7	2,051	18.9	186.1
Earnings	13,771	68.5	7,090	65.2	106.1
Manufacturing	1,627	8.1	744	6.8	84.3
Government	2,383	11.8	1,137	10.5	91.3
Trade	1,748	8.7	830	7.6	90.4
Services	1,254	6.2	623	5.7	98.7
Transportation, communications, and public utilities	655	3.3	339	3.1	107.3
Contract construction	1,132	5.6	748	6.9	194.8
Finance, insurance, and real estate	320	1.6	176	1.6	122.2
Agriculture, forestry, and fisheries	3,833	19.1	1,927	17.7	101.1
Mining	819	4.1	566	5.2	223.7

1/ Detail may not add exactly to totals due to rounding.

Source: Compiled from unpublished data from the Bureau of Economic Analysis, U.S. Department of Commerce.

Leading Sources of Personal Income Growth, 1968 to 1975*



* The leading source of income growth is that component of total personal income showing the largest absolute increase during 1968 to 1975

U S DEPARTMENT OF COMMERCE
Bureau of the Census

Table 6--Leading components of total personal income growth,
by county status and region, 1968-75

[illegible]

1/ Property income; government; trade; services; contract construction; transportation, communications, and public utilities; or finance, insurance, and real estate.

2/ Detail may not add exactly to total due to rounding.

Source: Compiled from unpublished data from the Bureau of Economic Analysis, U.S. Department of Commerce.

Table 8--Total personal income per capita as a percentage
of the U.S. average, by region and metro
and nonmetro counties

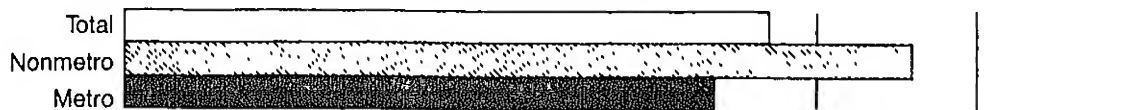
Region and county type	1968	1975	Change, 1968 to 1975
	<u>-----Percent-----</u>		
			<u>Percentage points</u>
United States	100.0	100.0	0
Metro	108.8	106.6	-2.2
Nonmetro	76.8	82.8	6.0
Urbanized			
Adjacent	86.9	88.2	1.3
Nonadjacent	82.7	87.1	4.4
Less urbanized			
Adjacent	74.5	80.9	6.4
Nonadjacent	71.8	80.6	8.8
Totally rural			
Adjacent	64.4	72.8	8.4
Nonadjacent	64.6	75.9	11.3
South	84.3	89.7	5.4
Metro	95.0	98.8	3.8
Nonmetro	67.7	74.6	6.9
West	106.9	106.1	-.8
Metro	112.6	110.2	-2.4
Nonmetro	84.0	90.2	6.2
North Central	102.7	102.2	-.5
Metro	111.6	107.9	-3.7
Nonmetro	83.1	89.6	6.5
Northeast	112.0	107.0	-5.0
Metro	116.1	110.4	-5.7
Nonmetro	86.1	86.8	.7

Source: Compiled from data in table 7.

Figure 5

Increase in Real Personal Income per Capita, 1968-75

United States



Nonmetro

Totally Rural



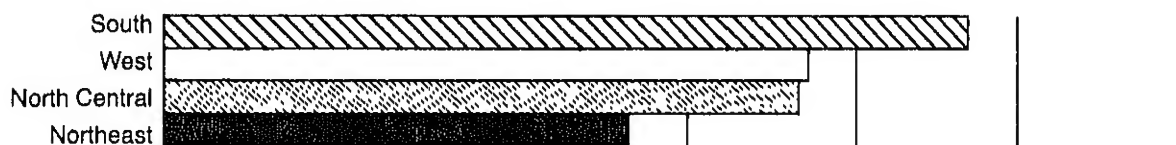
Less Urbanized



Urbanized



Region



South



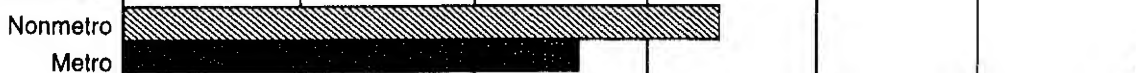
West



North Central



Northeast



0 200 400 600 800 1,000 1,200
1975 Dollars

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Appendix table 1—Earnings on a place-of-work and a place-of-residence basis, 1968 and 1975

Area	Place-of-work basis				Place-of-residence basis			
	1968		1975		1968		1975	
	:Percentage change, 1968 to 1975		:Percentage change, 1968 to 1975		:Percentage change, 1968 to 1975		:Percentage change, 1968 to 1975	
	1968	1975	1968	1975	1968	1975	1968	1975
	--Mil. dol.--		--Pct.--		--Mil. dol.--		--Pct.--	
United States	554,483	951,018	71.5	100.0	554,483	951,018	71.5	100.0
Metro	445,602	750,026	68.3	80.4	440,777	740,435	68.0	79.5
Nonmetro	108,881	200,992	84.6	19.6	113,706	210,582	85.2	20.5
Urbanized adjacent	31,860	55,263	73.5	5.7	32,817	57,891	76.4	5.9
Urbanized nonadjacent	18,152	33,594	85.1	3.3	17,331	31,923	84.2	3.1
Less urbanized adjacent	23,503	43,830	86.5	4.2	26,344	49,151	86.6	4.8
Less urbanized nonadjacent	25,360	48,144	89.8	4.6	25,987	49,282	89.6	4.7
Totally rural adjacent	3,324	6,389	92.2	.6	3,940	7,715	95.8	.7
Totally rural nonadjacent	6,681	13,771	106.1	1.2	7,287	14,621	100.6	1.3
South	144,930	272,848	88.3	26.1	145,063	273,089	88.3	26.2
Metro	102,249	193,717	89.5	18.4	100,621	190,217	89.0	18.1
Nonmetro	42,682	79,131	85.4	7.7	44,443	82,872	86.5	8.0
West	100,480	180,332	79.5	18.1	100,473	180,098	79.3	18.1
Metro	85,170	148,856	74.8	15.4	85,166	148,812	74.7	15.4
Nonmetro	15,310	31,476	105.6	2.8	15,306	31,285	104.4	2.8
North Central	161,050	268,258	66.6	29.0	160,875	268,205	66.7	29.0
Metro	124,197	201,152	62.0	22.4	122,139	197,579	61.8	22.0
Nonmetro	36,853	67,106	82.1	6.6	38,736	70,628	82.3	7.0
Northeast	148,023	229,580	55.1	26.7	148,072	229,626	55.1	26.7
Metro	133,986	206,301	54.0	24.2	132,850	203,826	53.4	24.0
Nonmetro	14,037	23,278	65.8	2.5	15,221	25,799	69.5	2.7

1/ Detail may not add exactly to totals due to rounding.

Source: Compiled from unpublished data from the Bureau of Economic Analysis, U.S. Department of Commerce.

Appendix table 2--Change in the Consumer Price Index
for urban wage earners and clerical workers, by
region and size of urban place, 1968-75

	:	:	:	:
Region and	:	:	:	: Percentage
size of	:	:	:	: change,
urban place	:	1968	1975	:1968 to 1975
	:	:	:	:
	:		<u>1967=100</u>	
	:			
United States	:	104.2	161.2	54.7
South	:	104.3	163.7	57.0
West	:	104.3	160.2	53.6
North Central	:	104.3	158.5	52.0
Northeast	:	104.2	164.0	57.4
	:			
Population of urban place:	:			
2,500 to 50,000	:	104.0	161.3	55.1
50,000 to 250,000	:	104.3	160.7	54.1
250,000 to 1.4 million	:	104.0	160.3	54.1
1.4 million to 3.5 million	:	104.4	160.4	53.5
3.5 million and over	:	104.3	162.5	55.8
	:			

Source: Bureau of Labor Statistics, U.S. Department of Labor.

